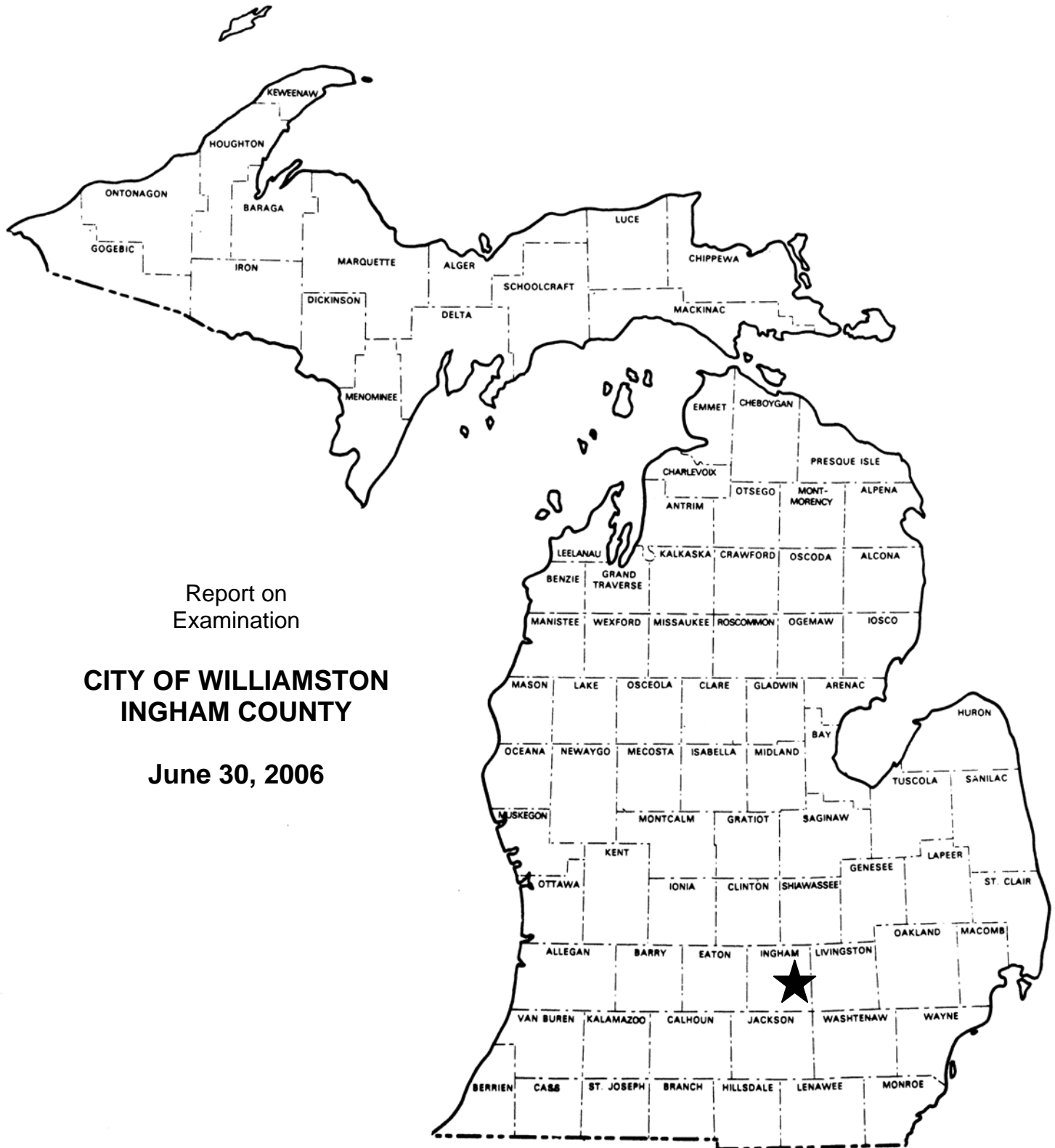


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**CITY OF WILLIAMSTON
INGHAM COUNTY**

June 30, 2006

CITY OF WILLIAMSTON

CITY COUNCIL

Kenneth V. Zichi
Mayor

Robert Hanna
Mayor Pro-tem

Brian O'Connell
George Monroe

Penny Davis
Scott VanAllsburg

Michelle Hyne

Lisa Hitchcock
Manager

Alan Dolley
Treasurer

CITY POPULATION--2000
3,441

STATE EQUALIZED VALUATION—2006
\$138,960,770



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

August 21, 2006

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

Independent Auditor's Report

Dear Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City of Williamston's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Williamston's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2006, on our consideration of the City of Williamston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government

Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 9 and the Budgetary Comparisons for the Major Funds in Exhibits K, L and M are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williamston's basic financial statements. The accompanying supplemental information in Exhibits N through W is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CITY OF WILLIAMSTON

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CITY OF WILLIAMSTON

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The following is a discussion and analysis of the City of Williamston's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2006. This analysis should be read in conjunction with the *Independent Auditors Report*, our letter of transmittal, and with the City of Williamston's financial statements, which follows this section.

Financial Highlights

The following represent the most significant financial highlights for the year ended June 30, 2006:

- The City had a significant increase in Governmental Activity net assets due to the addition of the new Putnam Street Bridge to the fixed assets schedule.
- The Business-Type Activities, consisting of the Water and Sewer Funds, had year end net assets that were virtually unchanged from the previous year.
- Tax revenue increased 5% from the previous year. This reflects growth in the tax base due mainly to existing home sales and scheduled reassessments.
- The General Fund's revenues exceeded the expenditures by approximately \$60,000. This amount will be added to the fund balance to be used for future projects, services, or shortfalls.
- State-shared revenue, a major source of revenue for the City's General Fund, was frozen at the same level as the previous year.

Using this Annual Report

The annual financial report of the City of Williamston consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements); 4) *Required Supplementary Information*, such as budget-to-actual comparisons for the General Fund and Major Special Revenue Funds; and 5) *Other Supplementary Information*, including combining financial statements for all nonmajor governmental and proprietary funds.

Government-Wide Financial Statements (Reporting the City as a Whole)

The Statement of Net Assets and the Statement of Activities provide information about the City, as a whole, and present a longer-term view of the City's finances. Their purpose is to assist in answering the question, "Is the City of Williamston, in its entirety, better or worse off as a result of this fiscal year's activities?" These statements are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets presents all of the City of Williamston's assets and liabilities, recording the difference between the two as "net assets." Over time, increases or decreases in net assets measure whether the City of Williamston's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City of Williamston's net assets changed during fiscal year 2006. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee personal leave.

Fund Financial Statements (Reporting the City's Major Funds)

The governmental funds financial statements are reported on a *modified accrual basis of accounting*. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending.

Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. Fund financial statements are utilized to track specific operations, these include: the General, Major Street, Local Street, Water and Sewer Funds.

The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Comparison of Government-Wide and Fund Financial Statements

Both statements report governmental activities and business-type activities. Governmental activities include the General Fund, Special Revenue Funds and Debt Service Funds. Business-type activities include the Water and Sewer Funds.

Because of the different basis of accounting between the fund statements and the government-wide statements, reconciliations between the two statement types are also presented in this report. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as reserves for personal leave (compensated absences), etc., appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, the government-wide financial statements include the net value of the City of Williamston's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Governmental Activities/Governmental Funds

Most of the City of Williamston's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of Williamston's general government departments such as police, public works, recreation programs, and Major and Local Street maintenance are reported under these activities.

Business-Type Activities/Proprietary Funds

Business-type activities are those that are financed primarily by charges for services or user fees. The City's business-type activities consist of the Water and Sewer Funds; these types of operations are most similar to private businesses.

Discretely Presented Component Units/Fiduciary Funds

Discretely Presented Component Units are legally separate organizations for which the City of Williamston's City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Organizations included as component units: Downtown Development Authority (DDA), Economic Development Corporation (EDC), TIFA 2A and TIFA 2B. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

The City of Williamston as a Whole

Listed below is a summary of the changes in net assets from 2005 as compared to 2006 for the Governmental Activities and the Business-Type Activities:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>2005</u>	<u>2006</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Current and Other Assets	\$ 1,675,721	\$ 1,655,604	\$ (20,117)	-1%
Capital Assets	<u>2,847,633</u>	<u>3,881,217</u>	<u>1,033,584</u>	<u>36%</u>
Total Assets	<u>4,523,354</u>	<u>5,536,821</u>	<u>1,013,467</u>	<u>22%</u>
Other Liabilities	57,065	202,461	145,396	255%
Long-Term Liabilities	<u>2,676,355</u>	<u>2,528,225</u>	<u>(148,130)</u>	<u>-6%</u>
Total Liabilities	<u>2,733,420</u>	<u>2,730,686</u>	<u>(2,734)</u>	<u>0%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	2,730,713	3,801,815	1,071,102	39%
Restricted	665,206	513,886	(151,320)	-23%
Unrestricted	<u>(1,605,985)</u>	<u>(1,509,566)</u>	<u>96,419</u>	<u>-6%</u>
Total Net Assets	<u>\$ 1,789,934</u>	<u>\$ 2,806,135</u>	<u>\$ 1,016,201</u>	<u>57%</u>
 <u>BUSINESS-TYPE ACTIVITIES</u>	 <u>2005</u>	 <u>2006</u>	 <u>Amount Difference</u>	 <u>Percent Difference</u>
Current and Other Assets	\$ 2,485,295	\$ 2,198,047	\$(287,248)	-12%
Capital Assets	<u>13,722,693</u>	<u>14,169,905</u>	<u>447,212</u>	<u>3%</u>
Total Assets	<u>16,207,988</u>	<u>16,367,952</u>	<u>159,964</u>	<u>1%</u>
Current Liabilities	124,808	382,908	258,100	207%
Long-Term Liabilities	<u>5,698,266</u>	<u>5,578,201</u>	<u>(120,065)</u>	<u>-2%</u>
Total Liabilities	<u>5,823,074</u>	<u>5,961,109</u>	<u>138,035</u>	<u>2%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	7,753,292	8,604,160	850,868	11%
Restricted	1,018,933	708,375	(310,558)	100%
Unrestricted	<u>1,585,289</u>	<u>1,094,308</u>	<u>(490,981)</u>	<u>-31%</u>
Total Net Assets	<u>\$10,357,514</u>	<u>\$10,406,843</u>	<u>\$ 49,329</u>	<u>0%</u>

The City's combined net assets for both governmental and business-type activities total \$13.2 million for fiscal year 2006.

The following tables of condensed financial information were derived from the government-wide Statement of Activities and reflect how the City of Williamston and its component units' net assets changed during the fiscal year, as compared to the prior fiscal year.

<u>GOVERNMENTAL ACTIVITIES</u>	<u>2005</u>	<u>2006</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 212,999	\$ 403,677	\$ 190,678	90%
Operating Grants and Contributions	213,926	235,492	21,566	10%
Capital Grants and Contributions	955,862	635,267	(320,595)	-34%
General Revenue				
Property Taxes	1,563,311	1,639,651	76,340	5%
State Shared Revenue	324,428	321,505	(2,923)	-1%
Unrestricted Investment Earnings	5,454	28,198	22,744	417%
Special Item--Gain or (Loss) on Disposal of Capital Assets	(222,571)	9,458	232,029	-104%
Total Revenue	<u>3,053,409</u>	<u>3,273,248</u>	<u>219,839</u>	<u>7%</u>
Expenses				
General Government	722,263	851,485	129,222	18%
Public Safety	605,619	602,034	(3,585)	-1%
Public Works	582,190	515,381	(66,809)	-11%
Community and Economic Development	114,020	182,024	68,004	60%
Recreation and Culture	75,395	77,519	2,124	3%
Interest on Long-Term Debt	82,037	79,104	(2,933)	-4%
Total Expenses	<u>2,181,524</u>	<u>2,307,547</u>	<u>126,023</u>	<u>6%</u>
Increase (Decrease) in Net Assets Before Transfers	871,885	965,701	93,816	11%
Transfers	<u>222,644</u>	<u>50,500</u>	<u>(172,144)</u>	<u>-77%</u>
Change in Net Assets	1,094,529	1,016,201	(78,328)	-7%
Net Assets--Beginning of Year	<u>695,405</u>	<u>1,789,934</u>	<u>1,094,529</u>	<u>157%</u>
Net Assets--End of Year	<u>\$ 1,789,934</u>	<u>\$ 2,806,135</u>	<u>\$ 1,016,201</u>	<u>57%</u>

City of Williamston, Michigan**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006**

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>2005</u>	<u>2006</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 1,533,724	\$ 1,420,919	\$(112,805)	-7%
Operating Grants and Contributions	29,738		(29,738)	100%
Capital Grants and Contributions	572,360	41,499	(530,861)	-93%
General Revenue				
Unrestricted Investment Earnings	<u>29,600</u>	<u>65,318</u>	<u>35,718</u>	<u>121%</u>
Total Revenue	<u>2,165,422</u>	<u>1,527,736</u>	<u>(637,686)</u>	<u>-29%</u>
Expenses				
Water and Sewer	<u>1,481,406</u>	<u>1,500,847</u>	<u>19,441</u>	<u>1%</u>
Total Expenses	<u>1,481,406</u>	<u>1,500,847</u>	<u>19,441</u>	<u>1%</u>
Increase (Decrease) in Net Assets Before Transfers	684,016	26,889	(657,127)	-96%
Transfers	<u>(59,354)</u>	<u>22,440</u>	<u>81,794</u>	<u>-138%</u>
Change in Net Assets	624,662	49,329	(575,333)	-92%
Net Assets--Beginning of Year	<u>9,732,852</u>	<u>10,357,514</u>	<u>624,662</u>	<u>6%</u>
Net Assets--End of Year	<u><u>\$10,357,514</u></u>	<u><u>\$ 10,406,843</u></u>	<u><u>\$ 49,329</u></u>	<u><u>0%</u></u>

City of Williamston, Michigan**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006**

<u>COMPONENT UNITS</u>	<u>2005</u>	<u>2006</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 69,737	\$ 77,925	\$ 8,188	12%
Operating Grants and Contributions	8,468	22,131	13,663	161%
Capital Grants and Contributions	44,330	7,645	(36,685)	-83%
General Revenue				
Property Taxes	406,226	404,049	(2,177)	-1%
Refunds	52,491		(52,491)	100%
Special Item--Gain on Disposal of Capital Assets	3,178		(3,178)	-100%
Total Revenue	<u>584,430</u>	<u>511,750</u>	<u>(72,680)</u>	<u>-12%</u>
Expenses				
Economic Development Corporation	116,697	95,637	(21,060)	-18%
Tax Increment Finance Authority 2A	119,116	21,535	(97,581)	-82%
Tax Increment Finance Authority 2B	24,709	47,911	23,202	94%
Downtown Development Authority	<u>274,320</u>	<u>304,335</u>	<u>30,015</u>	<u>11%</u>
Total Expenses	<u>534,842</u>	<u>469,418</u>	<u>(65,424)</u>	<u>-12%</u>
Increase (Decrease) in Net Assets Before Transfers	49,588	42,332	(7,256)	-15%
Transfers	<u>(163,290)</u>	<u>(72,940)</u>	<u>90,350</u>	<u>-55%</u>
Change in Net Assets	(113,702)	(30,608)	83,094	-73%
Net Assets--Beginning of Year	<u>230,416</u>	<u>394,655</u>	<u>164,239</u>	<u>71%</u>
Net Assets--End of Year	<u>\$ 394,655</u>	<u>\$ 364,047</u>	<u>\$ 247,333</u>	<u>63%</u>

Budgetary Highlights

The City of Williamston's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands. The Treasurer submits a budget statement to the council each month.

The General Fund budget continues to enjoy a strong fund balance which allows for the delivery of services that make this such a nice community. Budgeted equipment purchases for the 2006 Budget include a new police vehicle and a new DPW dump truck/snow plow.

The Sewer Fund plans on replacing a sewer main on East Riverside. These mains are very old and a major source of infiltration. This project will encompass monies from the Major Street, Sewer and Water Funds.

The Water Fund includes \$800,000 for water main replacement and final construction of well #9. Water mains will be upgraded along Wells Drive and create a loop that will allow for a continuous flow of water, which will increase fire protection services.

Economic Factors and Next Year's Budgets and Rates

The State of Michigan continues to experience budgetary problems which could impact future state shared revenue payments. Escalating fuel costs could affect tourism, reducing State sales tax revenues. Fuel costs are also a major factor in increasing costs to provide City services, such as snow removal, leaf/branch collection, and police patrols.

Water/Sewer rates for 2006/07 increased 5% and 9%, respectively. These increases were based on projections resulting from inflation and increased costs to maintain and operate the water and waste water systems.

The police labor contract expired on June 30, 2005. A new contract is in mediation and back pay may be an issue. The Fiscal Year 2007 Budget assumes an increase in wages for employees covered by this contract.

Rising health care costs continue to be a concern for the City of Williamston and the nation as a whole. The City is continuing to look at alternative ways to keep these costs under control.

Contacting the City of Williamston

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Williamston's finances and to demonstrate the accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Williamston Treasurer's Office at (517) 655-2774 or 161 East Grand River Avenue, Williamston, Michigan 48895.

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2006

EXHIBIT A

	PRIMARY GOVERNMENT			Major Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Current Assets				
Cash	\$ 435,854	\$ 307,310	\$ 743,164	\$ 373,169
Investments	824,452	896,320	1,720,772	277,609
Receivables (Net)				
Accounts	5,097	241,159	246,256	90,625
Assessments	1,398		1,398	
Accrued Interest	832		832	5,852
Due From Other Funds--Component Units	88,327		88,327	
Internal Balances	124,599	(124,599)	-	
Due From State	138,288		138,288	
Prepaid Expense	36,757		36,757	
Total Current Assets	1,655,604	1,320,190	2,975,794	747,255
Noncurrent Assets				
Restricted Cash		708,375	708,375	6,872
Special Assessments Receivable		169,482	169,482	
Capital Assets--Net of Accumulated Depreciation	3,881,217	14,169,905	18,051,122	2,283,515
Total Noncurrent Assets	3,881,217	15,047,762	18,928,979	2,290,387
Total Assets	5,536,821	16,367,952	21,904,773	3,037,642
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	33,918	185,756	219,674	998
Due to Other Funds--Primary Government			-	88,327
Due to State	105,002	93,114	198,116	
Contract Retainage Payable	43,197	39,893	83,090	
Accrued Interest Payable		59,042	59,042	
Accrued Liabilities	20,344	5,103	25,447	325
Total Current Liabilities	202,461	382,908	585,369	89,650
Noncurrent Liabilities				
Customer Deposits Payable		9,998	9,998	
Bonds Payable--Due Within One Year	45,000	150,000	195,000	80,000
Bonds Payable--Due in More Than One year	1,515,000	5,415,745	6,930,745	2,080,000
Notes Payable--Due Within One Year			-	41,304
Notes Payable--Due in More Than One year			-	382,641
Special Assessments Payable--Due Within One Year	49,162		49,162	
Special Assessments Payable--Due in More Than One Year	786,589		786,589	
Capital Lease Payable--Due Within One Year	37,518		37,518	
Capital Lease Payable--Due in More Than One Year	41,884		41,884	
Vested Employee Benefits Payable	53,072	2,458	55,530	
Total Noncurrent Liabilities	2,528,225	5,578,201	8,106,426	2,583,945
Total Liabilities	2,730,686	5,961,109	8,691,795	2,673,595

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2006

EXHIBIT A

	PRIMARY GOVERNMENT			Major Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>NET ASSETS</u>				
Investment in Capital Assets--Net of Related Debt	3,801,815	8,604,160	12,405,975	1,464,570
Restricted for				
Debt Service	10,427		10,427	
Major and Local Streets	500,432		500,432	
Building Permits	3,027		3,027	
Economic Development Programs			-	41,029
Downtown Development Activities			-	(1,706,427)
Tax Increment Finance Plans			-	564,875
Sewer and Water Improvements		708,375	708,375	
Unrestricted	(1,509,566)	1,094,308	(415,258)	
Total Net Assets	\$ 2,806,135	\$ 10,406,843	\$ 13,212,978	\$ 364,047

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

EXHIBIT B

Functions/Programs	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 851,485	\$ 262,624		
Public Safety	602,034	56,902	\$ 1,640	
Public Works	515,381	84,151	233,852	\$ 635,267
Community and Economic Development	182,024			
Recreation and Culture	77,519			
Interest on Long-Term Debt	79,104			
Total Governmental Activities	2,307,547	403,677	235,492	635,267
Business-Type Activities				
Sewer	1,056,875	766,918	-	22,957
Water	443,972	654,001	-	18,542
Total Business-Type Activities	1,500,847	1,420,919	-	41,499
Total Primary Government	\$ 3,808,394	\$ 1,824,596	\$ 235,492	\$ 676,766
Component Units				
Economic Development Corporation	\$ 95,637	\$ 71,725	\$ 396	-
Tax Increment Finance Authority 2A	21,535	-	5,751	-
Tax Increment Finance Authority 2B	47,911	-	15,407	-
Downtown Development Authority	304,335	6,200	577	\$ 7,645
Total Component Units	\$ 469,418	\$ 77,925	\$ 22,131	\$ 7,645

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

EXHIBIT B
(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
<u>Functions/Programs</u>	PRIMARY GOVERNMENT			Major Component Units
	Governmental Activities	Business-Type Activities	Total	
Primary Government				
Governmental Activities				
General Government	\$ (588,861)		\$ (588,861)	
Public Safety	(543,492)		(543,492)	
Public Works	437,889		437,889	
Community and Economic Development	(182,024)		(182,024)	
Recreation and Culture	(77,519)		(77,519)	
Interest on Long-Term Debt	(79,104)		(79,104)	
Total Governmental Activities	(1,033,111)	\$ -	(1,033,111)	
Business-Type Activities				
Sewer		(267,000)	(267,000)	
Water		228,571	228,571	
Total Business-Type Activities	-	(38,429)	(38,429)	
Total Primary Government	\$ (1,033,111)	\$ (38,429)	\$ (1,071,540)	
Component Units				
Economic Development Corporation				\$ (23,516)
Tax Increment Finance Authority 2A				(15,784)
Tax Increment Finance Authority 2B				(32,504)
Downtown Development Authority				(289,913)
Total Component Units	\$ -	\$ -	\$ -	\$ (361,717)
General Revenues				
Property Taxes	\$ 1,639,651		\$ 1,639,651	\$ 404,049
State-Shared Revenues	321,505		321,505	
Unrestricted Investment Earnings	28,198	\$ 65,318	93,516	
Refunds			-	
Special Item--Gain on Disposal of Capital Assets	9,458		9,458	
Transfers				
Transfers In From Primary Government	-	9,500	9,500	
Transfers In From Component Units	60,000	12,940	72,940	
Transfers (Out) From Primary	(9,500)		(9,500)	(72,940)
Total General Revenues--Special Items and Transfers	2,049,312	87,758	2,137,070	331,109
Change in Net Assets	1,016,201	49,329	1,065,530	(30,608)
Net Assets--Beginning	1,789,934	10,357,514	12,147,448	394,655
Net Assets--Ending	\$ 2,806,135	\$ 10,406,843	\$ 13,212,978	\$ 364,047

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

EXHIBIT C

	MAJOR GOVERNMENTAL FUNDS				
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 224,324	\$ 167,534	\$ 43,996		\$ 435,854
Investments	571,868	217,836	34,748		824,452
Receivables					
Accounts	1,090			\$ 25	1,115
Special Assessments	1,398				1,398
Accrued Interest	832				832
Due From Other Funds--Primary Government	37,296	113,804		15,826	166,926
Due From Other Funds--Component Units	88,327				88,327
Due From State	104,110	25,767	8,411		138,288
Prepaid Expenses	36,757				36,757
Total Assets	<u>\$ 1,066,002</u>	<u>\$ 524,941</u>	<u>\$ 87,155</u>	<u>\$ 15,851</u>	<u>\$ 1,693,949</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 27,257	\$ 4,740		\$ 1,921	\$ 33,918
Due to Other Funds--Primary Government	36,853		\$ 1,492		38,345
Due to State		105,002			105,002
Accrued Liabilities	19,438	287	143	476	20,344
Escrow Deposits Payable	43,197				43,197
Deferred Revenue	1,398				1,398
Total Liabilities	<u>128,143</u>	<u>110,029</u>	<u>1,635</u>	<u>2,397</u>	<u>242,204</u>
Fund Balances					
Reserved for					
Debt Service				10,427	10,427
Major and Local Streets		414,912	85,520		500,432
Building and Zoning				3,027	3,027
Unreserved--Undesignated	937,859				937,859
Total Fund Equity	<u>937,859</u>	<u>414,912</u>	<u>85,520</u>	<u>13,454</u>	<u>1,451,745</u>
Total Liabilities and Fund Equity	<u>\$ 1,066,002</u>	<u>\$ 524,941</u>	<u>\$ 87,155</u>	<u>\$ 15,851</u>	<u>\$ 1,693,949</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
RECONCILIATION OF FUND BALANCES ON
THE BALANCE SHEET FOR GOVERNMENTAL
FUNDS TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS
June 30, 2006

EXHIBIT C-1

Fund Balances--Total Governmental Funds	\$ 1,451,745
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add--Capital Assets	5,125,464
Deduct--Accumulated Depreciation	<u>(1,244,247)</u>

Net Capital Asset Addition	<u>3,881,217</u>
----------------------------	------------------

Revenues that do not provide current financial resources are not reported as revenue in the funds.	1,398
--	-------

Certain liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Deduct--Long-Term Debt	(2,475,153)
Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(53,072)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,806,135</u></u>
---------------------------------------	----------------------------

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

EXHIBIT D

MAJOR GOVERNMENTAL FUNDS					
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 1,639,651				\$ 1,639,651
Licenses and Permits	19,908			\$ 31,319	51,227
Federal Grants		\$ 542,351			542,351
State Grants	323,145	268,643	\$ 50,936		642,724
Charges for Services	15,920			6,515	22,435
Fines and Forfeits	9,451				9,451
Interest and Rentals	101,672	5,753	1,436		108,861
Other Revenue	311,492	2,793	305		314,590
Total Revenues	2,421,239	819,540	52,677	37,834	3,331,290
Expenditures					
Current					
General Government	834,355				834,355
Public Safety	504,002			71,442	575,444
Public Works	271,160	1,124,510	64,591		1,460,261
Community and Economic Development	181,941				181,941
Recreation and Cultural	73,534				73,534
Capital Outlay	190,882				190,882
Debt Service					
Principal	37,518			40,000	77,518
Interest and Fiscal Fees	4,478			74,626	79,104
Total Expenditures	2,097,870	1,124,510	64,591	186,068	3,473,039
Excess of Revenues Over (Under) Expenditures	323,369	(304,970)	(11,914)	(148,234)	(141,749)
Other Financing Sources (Uses)					
Interfund Transfers In					
Primary Government		200,000	25,000	74,448	299,448
Component Units				60,000	60,000
Interfund Transfers (Out)--Primary Government	(263,298)		(45,650)		(308,948)
Total Other Financing Sources (Uses)	(263,298)	200,000	(20,650)	134,448	50,500
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	60,071	(104,970)	(32,564)	(13,786)	(91,249)
Fund Balance--July 1, 2005	877,788	519,882	118,084	27,240	1,542,994
Fund Balance--June 30, 2006	\$ 937,859	\$ 414,912	\$ 85,520	\$ 13,454	\$ 1,451,745

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT D-1

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (91,249)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	1,254,653
Deduct--Depreciation Expense	(163,027)
Deduct--Capital Asset Disposal	(58,042)

Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	77,518
--	--------

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and, therefore, are not reported as expenditures
in the funds.

(3,652)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 1,016,201

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

EXHIBIT E

	BUSINESS-TYPE ACTIVITIES		Total Enterprise Funds
	Sewer	Water	
<u>ASSETS</u>			
Current Assets			
Cash	\$ 115,106	\$ 192,204	\$ 307,310
Investments	724,484	171,836	896,320
Customer Accounts Receivable	134,058	103,221	237,279
Accounts Receivable		3,880	3,880
Total Current Assets	973,648	471,141	1,444,789
Noncurrent Assets			
Restricted Cash	90,752	617,623	708,375
Special Assessments Receivable	169,482		169,482
Capital Assets--Net of Accumulated Depreciation	10,216,438	3,953,467	14,169,905
Total Noncurrent Assets	10,476,672	4,571,090	15,047,762
Total Assets	11,450,320	5,042,231	16,492,551
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	1,979	183,777	185,756
Due to Other Funds--Primary Government	17,829	106,770	124,599
Due to State	51,510	41,604	93,114
Contract Retainage Payable		39,893	39,893
Accrued Interest Payable	37,924	21,118	59,042
Accrued Liabilities	2,668	2,435	5,103
Total Current Liabilities	111,910	395,597	507,507
Noncurrent Liabilities			
Customer Deposits Payable		9,998	9,998
Bonds Payable--Due Within One Year	120,000	30,000	150,000
Bonds Payable--Net of Unamortized Discounts Due in More Than One Year	4,020,745	1,395,000	5,415,745
Vested Employee Benefits Payable	2,458		2,458
Total Noncurrent Liabilities	4,143,203	1,434,998	5,578,201
Total Liabilities	4,255,113	1,830,595	6,085,708
<u>NET ASSETS</u>			
Invested in Capital Assets--Net of Related Debt	6,075,693	2,528,467	8,604,160
Restricted for Sewer and Water Improvements	90,752	617,623	708,375
Unrestricted	1,028,762	65,546	1,094,308
Total Net Assets	\$ 7,195,207	\$ 3,211,636	\$ 10,406,843

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--ENTERPRISE FUNDS
For the Year Ended June 30, 2006

EXHIBIT F

	<u>BUSINESS-TYPE ACTIVITIES</u>		Total Enterprise Funds
	Sewer	Water	
Operating Revenues			
Water Sales		\$ 633,212	\$ 633,212
Sewage Disposal Services	\$ 766,918		766,918
Other		20,789	20,789
Total Operating Revenues	766,918	654,001	1,420,919
Operating Expenses			
Salaries and Wages	176,142	107,447	283,589
Fringe Benefits	75,473	46,407	121,880
Administrative Expenses	45,000	38,500	83,500
Contractual Services	23,263	13,387	36,650
Equipment Repair and Maintenance	43,088	1,973	45,061
Utilities	68,468	18,371	86,839
Insurance	9,121	3,833	12,954
Other Supplies and Expenses	63,539	70,367	133,906
Depreciation	294,483	77,563	372,046
Total Operating Expenses	798,577	377,848	1,176,425
Operating Income (Loss)	(31,659)	276,153	244,494
Nonoperating Revenues (Expenses)			
Interest and Investment Revenue	37,989	14,289	52,278
Interest on Special Assessments	13,040		13,040
Interest Expense	(160,600)	(66,124)	(226,724)
Bond Amortization Expense	(97,698)		(97,698)
Total Nonoperating Revenues (Expenses)	(207,269)	(51,835)	(259,104)
Income (Loss) Before Contributions and Transfers	(238,928)	224,318	(14,610)
Capital Contributions	22,957	18,542	41,499
Interfund Transfers			
Transfers In	79,325	9,500	88,825
Transfers (Out)		(66,385)	(66,385)
Change in Net Assets	(136,646)	185,975	49,329
Total Net Assets--July 1, 2005	7,331,853	3,025,661	10,357,514
Total Net Assets--June 30, 2006	\$7,195,207	\$3,211,636	\$10,406,843

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2006

EXHIBIT G

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities			
Charges for Services	\$ 765,677	\$ 639,417	\$ 1,405,094
Miscellaneous		20,789	20,789
Goods and Services Purchased	(207,044)	53,043	(154,001)
Salaries and Fringes	(296,281)	(192,158)	(488,439)
Net Cash Provided by Operating Activities	262,352	521,091	783,443
Cash Flows From Noncapital Financing Activities			
Customer Deposits		440	440
Operating Transfers In From Other Funds	66,385	9,500	75,885
Operating Transfers In From Component Units	12,940		12,940
Operating Transfers (Out) to Other Funds	-	(66,385)	(66,385)
Due to Other Funds	(8,972)	(246,594)	(255,566)
Due to Component Units	(27,400)		(27,400)
Net Cash Flows From Noncapital Financing Activities	42,953	(303,039)	(260,086)
Cash Flows From Capital and Related Financing Activities			
Collection of Customer Assessments	30,465		30,465
Interest on Special Assessments	13,040		
Due to State	51,510	41,604	93,114
Contract Retainage Payable		39,893	39,893
Acquisition of Capital Assets	(159,345)	(943,064)	(1,102,409)
Capital Contributions	22,957	18,542	41,499
Principal Paid on Debt	(95,505)	(25,000)	(120,505)
Interest Paid on Debt	(202,447)	(61,124)	(263,571)
Bond Amortization Expense	(14,494)	-	(14,494)
Net Cash Provided (Used) by Capital and Related Financing Activities	(353,819)	(929,149)	(1,296,008)
Cash Flows From Investing Activities			
Interest on Cash	37,989	14,289	52,278
Sale (Purchase) of Investments	(51,568)	(117,610)	(169,178)
Net Cash Provided by Investing Activities	(13,579)	(103,321)	(116,900)
Net Increase in Cash and Cash Equivalents	(62,093)	(814,418)	(889,551)
Cash at Beginning of the Year	267,951	1,624,245	1,892,196
Cash at End of the Year	\$ 205,858	\$ 809,827	\$ 1,015,685
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (31,659)	\$ 276,153	\$ 244,494
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	294,483	77,563	372,046
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	(1,241)	6,205	4,964
Increase (Decrease) in Accounts Payable	435	160,974	161,409
Increase (Decrease) in Accrued Liabilities	334	196	530
Net Cash Provided by Operating Activities	\$ 262,352	\$ 521,091	\$ 783,443

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

EXHIBIT H

	<u>Agency Fund</u>
 <u>ASSETS</u>	
Cash	\$ 3,081
Due From Other Agencies	<u>1,605</u>
Total Assets	<u><u>\$ 4,686</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to Other Funds--Primary Government	\$ 3,982
Due to Other Governmental Units	<u>704</u>
Total Liabilities	<u><u>\$ 4,686</u></u>

CITY OF WILLIAMSTON
COMBINING STATEMENT OF NET ASSETS
MAJOR COMPONENT UNITS
June 30, 2006

EXHIBIT I

	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
<u>ASSETS</u>					
Current Assets					
Cash	\$ 14,609	\$ 140,225	\$ 146,443	\$ 71,892	\$ 373,169
Investments			277,609		277,609
Accounts Receivable	90,625				90,625
Accrued Interest Receivable		3,330	2,522		5,852
Total Current Assets	105,234	143,555	426,574	71,892	747,255
Noncurrent Assets					
Restricted Cash				6,872	6,872
Capital Assets (Net of Accumulated Depreciation)	855,226	115,024	214,979	1,098,286	2,283,515
Total Noncurrent Assets	855,226	115,024	214,979	1,105,158	2,290,387
Total Assets	960,460	258,579	641,553	1,177,050	3,037,642
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable	642	125	173	58	998
Accrued Liabilities	162			163	325
Due to Other Funds--Primary Government	63,401	574	4,382	19,970	88,327
Total Current Liabilities	64,205	699	4,555	20,191	89,650
Noncurrent Liabilities					
Bonds Payable--Due Within One Year				80,000	80,000
Bonds Payable--Due in More Than One Year				2,080,000	2,080,000
Notes Payable--Due Within One Year	41,304				41,304
Notes Payable--Due in More Than One Year	382,641				382,641
Total Noncurrent Liabilities	423,945	-	-	2,160,000	2,583,945
Total Liabilities	488,150	699	4,555	2,180,191	2,673,595
<u>NET ASSETS</u>					
Invested in Capital Assets--Net of Related Debt Restricted for	431,281	115,024	214,979	703,286	1,464,570
Economic Development Programs	41,029				41,029
Downtown Development Plan				(1,706,427)	(1,706,427)
Tax Increment Finance Plans		142,856	422,019		564,875
Total Net Assets	\$ 472,310	\$ 257,880	\$ 636,998	\$ (1,003,141)	\$ 364,047

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINING STATEMENT OF ACTIVITIES
MAJOR COMPONENT UNITS
Year Ended June 30, 2006

EXHIBIT J

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>				
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
Economic Development Corporation									
Community and Economic Development	\$ 68,822	\$ 71,725	\$ 396		\$ 3,299				\$ 3,299
Interest on Related Debt	26,815				(26,815)				(26,815)
Total Economic Development Corporation	95,637	71,725	396	\$ -	(23,516)	\$ -	\$ -	\$ -	(23,516)
Tax Increment Finance Authority 2A									
Community and Economic Development	21,535		5,751			(15,784)			(15,784)
Total Tax Increment Finance Authority 2A	21,535	-	5,751	-	-	(15,784)	-	-	(15,784)
Tax Increment Finance Authority 2B									
Community and Economic Development	47,911		15,407				(32,504)		(32,504)
Total Tax Increment Finance Authority 2B	47,911	-	15,407	-	-	-	(32,504)	-	(32,504)
Downtown Development Authority									
Community and Economic Development	204,229	6,200	577	7,645				(189,807)	(189,807)
Interest and Other Expenses on Related Debt	100,106							(100,106)	(100,106)
Total Downtown Development Authority	\$304,335	\$ 6,200	\$ 577	\$ 7,645	-	-	-	(289,913)	(289,913)
General Revenues									
Property Taxes						1,106	11,881	391,062	404,049
Transfers					(60,000)	(12,940)	-	-	(72,940)
Total General Revenues									
Special Items and Transfers					(60,000)	(11,834)	11,881	391,062	331,109
Change in Net Assets					(83,516)	(27,618)	(20,623)	101,149	(30,608)
Net Assets--Beginning of Year					555,826	285,498	657,621	(1,104,290)	394,655
Net Assets--End of Year					\$ 472,310	\$ 257,880	\$ 636,998	\$ (1,003,141)	\$ 364,047

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Williamston conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Williamston:

Reporting Entity

The City of Williamston encompasses an area of approximately 3.7 square miles and is located approximately 20 miles east of Lansing and 65 miles west of Detroit.

The city was incorporated in 1963 as a home rule city under the council-manager form of government. The city council consists of seven council members who are elected at large. Every two years four council members are elected. The mayor, who is recognized as the chief executive officer of the city, and the mayor pro-tem are elected by the council from among its members. The city manager is the administrative agent of the council and is appointed by the council to serve at its pleasure. All other city administrative officers are appointed by the city manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component units total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit).

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority

The Downtown Development Authority was created under the provisions of Public Act 197 of 1975, as amended, to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The authority's governing body, which consists of nine individuals, is selected by the city council. In addition, the authority's budget is subject to approval by the city council.

Economic Development Corporation

The Economic Development Corporation was created under the provisions of Public Act 338 of 1974, as amended, to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the city to provide needed services and facilities to the residents of the city. The corporation's governing body, which consists of nine individuals, is selected by the city council.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Increment Finance Authorities (2A and 2B)

The Tax Increment Finance Authorities (2A and 2B) were created under the provisions of Public Act 450 of 1980, as amended, to prevent urban deterioration, to encourage development and activity, and to encourage neighborhood revitalization and historic preservation. The authorities' governing body is the same as the Economic Development Corporation that is selected by the city council and consists of nine individuals.

Complete financial statements of the individual component units can be obtained from their respective administrative offices located in city hall:

Administrative Offices

City of Williamston
161 East Grand River Avenue
Williamston, MI 48895

JOINTLY GOVERNED ORGANIZATIONS

The city is a member of the Northeast Ingham Emergency Service Authority (NIESA) which provides emergency services to the residents of Northeast Ingham County. The participating communities provided funding for its operations until December 1998, at which time a millage was levied to provide annual funding. The city is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the authority can be obtained from the Community Fire Board offices at 627 East Grand River, Williamston, Michigan.

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the city.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The city reports the following major governmental funds:

The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for revenues and expenditures for the construction and maintenance of the major street system.

The Local Street Fund accounts for revenues and expenditures for the construction and maintenance of the local street system.

The city reports the following major proprietary funds:

The Sewer Fund accounts for the revenues and expenses for the operation of the sewer system.

The Water Fund accounts for the revenues and expenses for the operation of the water system.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The city has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued subsequent to November 30, 1989, in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed.

Deposits and Investments

The cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Inventories and Prepaid Items

No inventory is maintained. Payments for supplies are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets for the primary government, component units and enterprise funds, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Land Improvements	10 to 30 Years
Buildings	10 to 50 Years
Office Equipment	4 to 10 Years
Machinery and Equipment	7 to 10 Years
Vehicles	4 to 7 Years
Infrastructure--Roads	8 to 30 Years
Infrastructure--Bridges	12 to 50 Years

Compensated Absences (Vacation and Sick Leave)

It is the city's policy to permit employees to accumulate earned sick and vacation pay benefits for all of the employees. The liability for unpaid accumulated sick leave is 50% of the time available according to the city's union contracts and personnel policy. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Other Financing Sources (Uses)

The transfers of cash between the various city funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to statute, prior to the commencement of the fiscal year, the budget is legally enacted through adoption by the city council. Budgets are adopted for the General Fund and Special Revenue Funds as required by statute. Budgets are adopted on a basis consistent with the accounting principles followed in recording transactions. The city's annual budget is adopted on a departmental basis at the activity level. The city council monitors and amends the budgets as necessary.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

The city has not complied with certain provisions of Public Act 2 of 1968, as amended. Expenditures were incurred in excess of the amount appropriated in the amended budget for the activities of the General Fund as follows:

	<u>Final Amended Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
General Fund			
General Government			
Wheatfield 425 Revenue Sharing	\$ 12,500	\$ 14,733	\$ (2,233)
Recreational and Cultural			
Williamston Library Foundation	8,500	8,617	(117)
Transfers (Out)	263,000	263,298	(298)

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the city to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The Williamston City Council has designated three banks for the deposit of city funds. The investment policy adopted by the council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The city's deposits and investment policy are in accordance with statutory authority.

At fiscal year end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	PRIMARY GOVERNMENT			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash	\$ 435,854	\$ 307,310	\$3,081	\$ 746,245
Restricted Cash		708,375		708,375
Investments	<u>824,452</u>	<u>896,320</u>	<u> </u>	<u>1,720,772</u>
Total	<u>\$1,260,306</u>	<u>\$1,912,005</u>	<u>\$3,081</u>	<u>\$3,175,392</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$2,466,387	\$ 380,041
Investments in Securities, Mutual Funds and Similar Vehicles	708,375	277,609
Petty Cash and Cash on Hand	<u>630</u>	<u> </u>
Total	<u>\$3,175,392</u>	<u>\$ 657,650</u>

The bank balance of the primary government's deposits is \$1,494,708, of which \$200,000 is covered by Federal depository insurance. The bank balance of the component units' deposits is \$379,984, of which \$106,872 is covered by Federal depository insurance.

Investments Authorized by the City's Investment Policy

The city's investment policy only authorizes investment in all those that are authorized by law. The city has limited their investments to money markets. The city's investment policy contains provisions intended to limit the city's exposure to interest rate risk, credit risk, and concentration of credit risk.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the city manages its exposure to interest rate risk is by participating in two money markets which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2006, the city had the following investments:

	REPORTED AMOUNT (FAIR VALUE)	
	<u>Primary Government</u>	<u>Component Units</u>
Investments		
Money Market (MM)	\$ 1,965	
Government Operating MM	<u>1,718,807</u>	<u>\$ 277,609</u>
Total Primary Government	<u><u>\$1,720,772</u></u>	<u><u>\$ 277,609</u></u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Money Market and Government Operating Money Market issued through Chase Bank totaling \$1,098,974 have received an Aaa rating from Moody's Investors Service and the Government Operating Money Market issued through MBIA totaling \$899,407 have received an AAA rating from Fitch Ratings.

The city's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s), or a specific class of securities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the city's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the city's investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE D--PROPERTY TAXES

Property taxes are levied on each July 1st on the taxable valuation of property located in the city as of the preceding December 31st. The city's property taxes were levied and collectible on July 1, 2005. It is the policy of the City of Williamston to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2005 State Taxable Valuation was \$103,280,715 (net of captured taxes), on which ad valorem taxes levied consisted of 15.1342 mills and raised \$1,667,118 for city operations. This is recorded as revenue in the General Fund, which also includes mobile home specific taxes, penalties, interest and administrative fees for a total of \$1,639,651 (net of tax tribunal refunds and DDA captured taxes of \$104,047).

NOTE E--RECEIVABLES

Special Assessments Receivable-Governmental Funds

The city collects special assessments in the General Fund and the Sewer Fund to collect for expenses incurred by the township to replace sidewalks and create the sewer system. As of June 30, 2006, the General Fund had a special assessment receivable balance of \$1,398 offset by deferred revenue. The Sewer Fund has special assessments receivable of \$169,482.

Accounts Receivable

The accounts receivable for the township are recorded in the Sewer and Water Fund. The receivable is based on the sewer and water services provided by the city. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Sewer and Water Fund is \$134,058 and \$103,221, respectively.

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 373,217			\$ 373,217
Land Improvements	317,395			317,395
Construction in Progress	728,275	\$1,073,771		1,802,046
Subtotal	1,418,887	1,073,771	\$ -	2,492,658
Capital Assets Being Depreciated				
Land Improvements	257,036			257,036
Buildings	506,786			506,786
Office Equipment	59,579			59,579
Machinery and Equipment	357,755	74,300	67,716	364,339
Vehicles	592,503	106,582		699,085
Infrastructure	745,981			745,981
Subtotal	2,519,640	180,882	67,716	2,632,806
Less Accumulated Depreciation for		1,254,653		
Land Improvements	158,170	11,316		169,486
Buildings	210,158	11,725		221,883
Office Equipment	50,507	5,416		55,923
Machinery and Equipment	292,830	13,521	9,674	296,677
Vehicles	363,118	85,332		448,450
Infrastructure	16,111	35,717		51,828
Subtotal	1,090,894	163,027	9,674	1,244,247
Net Capital Assets Being Depreciated	1,428,746	17,855	58,042	1,388,559
Total Capital Assets--Net of Depreciation	<u>\$2,847,633</u>	<u>\$1,091,626</u>	<u>\$ 58,042</u>	<u>\$3,881,217</u>

Depreciation expense was charged to programs of the primary government as follows:

	<u>Amount</u>
Governmental Activities	
General Government	\$ 13,401
Public Safety	26,320
Public Works	119,321
Culture and Recreation	3,985
Total Depreciation--Governmental Activities	<u>\$ 163,027</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 436,557			\$ 436,557
Construction in Progress--Water System	132,942	\$ 943,314		1,076,256
Subtotal	569,499	943,314	\$ -	1,512,813
Capital Assets Being Depreciated				
Water and Sewer System	16,822,799	92,777	285,399	17,200,975
Equipment	506,164	66,318	29,996	602,478
Subtotal	17,328,963	159,095	315,395	17,803,453
Less: Accumulated Depreciation for				
Water and Sewer System	4,246,454	346,924	285,399	4,878,777
Equipment	212,466	25,122	29,996	267,584
Subtotal	4,458,920	372,046	315,395	5,146,361
Net Capital Assets Being Depreciated	12,870,043	(212,951)	-	12,657,092
Total Capital Assets--Net of Depreciation	<u>\$ 13,439,542</u>	<u>\$ 730,363</u>	<u>\$ -</u>	<u>\$ 14,169,905</u>

Depreciation expense was charged to business-type programs of the primary government as follows:

Business-Type Funds	
Water	\$ 77,563
Sewer	294,483
Total Business-Type Funds	<u>\$ 372,046</u>

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Component Units

Capital asset activity of the Economic Development Corporation (EDC) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 30,000			\$ 30,000
Subtotal	<u>30,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>30,000</u>
Capital Assets Being Depreciated				
Land Improvements	15,510			15,510
Buildings	1,014,165			1,014,165
Machinery and Equipment	<u>20,046</u>	<u>19,219</u>	<u>20,046</u>	<u>19,219</u>
Subtotal	<u>1,049,721</u>	<u>19,219</u>	<u>20,046</u>	<u>1,048,894</u>
Less Accumulated Depreciation for				
Land Improvements	4,437	721		5,158
Buildings	184,153	29,553		213,706
Machinery and Equipment	<u>5,011</u>	<u>4,805</u>	<u>5,011</u>	<u>4,805</u>
Subtotal	<u>193,601</u>	<u>35,079</u>	<u>5,011</u>	<u>223,669</u>
Net Capital Assets Being Depreciated	<u>856,120</u>	<u>(15,860)</u>	<u>15,035</u>	<u>825,225</u>
Total Capital Assets--Net of Depreciation	<u><u>\$ 886,120</u></u>	<u><u>\$ (15,860)</u></u>	<u><u>\$ 15,035</u></u>	<u><u>\$ 855,225</u></u>

Depreciation expense for the year was \$35,079.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the Downtown Development Authority (DDA) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 144,093			\$ 144,093
Land Improvements	144,953	\$ 8,902		153,855
Construction in Progress	<u>563,414</u>	<u>61,907</u>		<u>625,321</u>
Subtotal	<u>852,460</u>	<u>70,809</u>	<u>\$ -</u>	<u>923,269</u>
Capital Assets Being Depreciated				
Land Improvements	305,428			305,428
Buildings	155,708			155,708
Machinery and Equipment	<u>14,000</u>			<u>14,000</u>
Subtotal	<u>475,136</u>	<u>-</u>	<u>-</u>	<u>475,136</u>
Less Accumulated Depreciation for				
Land Improvements	204,862	14,526		219,388
Buildings	62,283	4,449		66,732
Machinery and Equipment	<u>14,000</u>			<u>14,000</u>
Subtotal	<u>281,145</u>	<u>18,975</u>	<u>-</u>	<u>300,120</u>
Net Capital Assets Being Depreciated	<u>193,991</u>	<u>(18,975)</u>	<u>-</u>	<u>175,016</u>
Total Capital Assets--Net of Depreciation	<u><u>\$1,046,451</u></u>	<u><u>\$ 51,834</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,098,285</u></u>

Depreciation expense for the year was \$18,975.

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2A for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 62,871			\$ 62,871
Subtotal	<u>62,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>62,871</u>
Capital Assets Being Depreciated				
Land Improvements	<u>55,879</u>	<u>-</u>		<u>55,879</u>
Subtotal	<u>55,879</u>	<u>-</u>	<u>-</u>	<u>55,879</u>
Less Accumulated Depreciation for				
Land Improvements	<u>1,863</u>	<u>1,863</u>		<u>3,726</u>
Subtotal	<u>1,863</u>	<u>1,863</u>	<u>-</u>	<u>3,726</u>
Net Capital Assets Being Depreciated	<u>54,016</u>	<u>1,863</u>		<u>52,153</u>
Total Capital Assets--Net of Depreciation	<u><u>\$ 116,887</u></u>	<u><u>\$ (1,863)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 115,024</u></u>

Depreciation expense for the year was \$1,863.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2B for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 112,694</u>	<u> </u>	<u> </u>	<u>\$112,694</u>
Subtotal	<u>112,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>112,694</u>
Capital Assets Being Depreciated				
Land Improvements	<u>4,491</u>			<u>4,491</u>
Buildings	<u>110,157</u>	<u> </u>	<u> </u>	<u>110,157</u>
Subtotal	<u>114,648</u>	<u>-</u>	<u>-</u>	<u>114,648</u>
Less Accumulated Depreciation for				
Land Improvements	<u>898</u>	<u>449</u>		<u>1,347</u>
Buildings	<u>5,508</u>	<u>5,508</u>	<u> </u>	<u>11,016</u>
Subtotal	<u>6,406</u>	<u>5,957</u>	<u>-</u>	<u>12,363</u>
Net Capital Assets Being Depreciated	<u>108,242</u>	<u>(5,957)</u>	<u> </u>	<u>102,285</u>
Total Capital Assets--Net of Depreciation	<u><u>\$ 220,936</u></u>	<u><u>\$ (5,957)</u></u>	<u><u>\$ -</u></u>	<u><u>\$214,979</u></u>

Depreciation expense for the year was \$5,957.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

The amounts of the interfund receivables and payables between funds of the primary government and component units are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
<u>Primary Government</u>			
General	\$ 37,296	Local Street	\$ 1,492
		Sewer	17,829
		Water	13,993
		Tax Collection--Fudiciary	3,982
Major Street	113,804	General	21,027
		Water	92,777
Non-Major Governmental	<u>15,826</u>	General	<u>15,826</u>
Total Primary Government	<u>\$166,926</u>		<u>\$166,926</u>
<u>Primary Government</u>		<u>Component Units</u>	
General	\$ 88,327	Economic Development Corporation	\$ 63,401
		Tax Increment Finance Authority 2A	574
		Tax Increment Finance Authority 2B	4,382
		Downtown Development Authority	<u>19,970</u>
Total Primary Government	<u>\$ 88,327</u>	Total Component Units	<u>\$ 88,327</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS
(Continued)

The 2006 operating transfers from Exhibits D, F and J can be summarized as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Funds</u>	<u>Transfers (Out)</u>
<u>Primary Government</u>			
Major Street	\$ 200,000	General	\$ 263,298
Local Street	25,000		
Non-Major Governmental	28,798		
Water	9,500		
Non-Major Governmental	45,650	Local Street	45,650
Sewer	<u>66,385</u>	Water	<u>66,385</u>
Total Primary Government	<u>375,333</u>		<u>375,333</u>
<u>Primary Government</u>			
		<u>Component Units</u>	
Non-Major Governmental	60,000	Economic Development Corporation	60,000
Sewer	<u>12,940</u>	Tax Increment Finance Authority 2A	<u>12,940</u>
Total Primary Government	<u>72,940</u>	Total Component Units	<u>72,940</u>
Total Reporting Entity	<u><u>\$ 448,273</u></u>		<u><u>\$ 448,273</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE H--LEASES

Capital Leases--The city has entered into an installment purchase agreement on June 25, 2003 as lessee for financing the purchase of a Vactor sewer cleaner. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value, are as follows:

Year Ended June 30	
2007	\$ 41,996
2008	<u>41,996</u>
Total Minimum Lease Payments	<u>83,992</u>
Less: Amount Representing Interest	
2007	3,041
2008	<u>1,549</u>
Total Amount Representing Interest	<u>4,590</u>
Present Value	<u><u>\$ 79,402</u></u>

NOTE I--LONG-TERM DEBT

The city issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the city. City contractual agreements and installment purchase agreements are also general obligations of the city. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

<u>Governmental Activities</u>	<u>Balance 07/01/05</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/06</u>	<u>Due Within One Year</u>
\$1,395,000, 2002 Series, General Obligation Limited Tax Bonds. Due in 19 annual installments at interest ranging between 4.50% through 5.10% for Tobias/Linn Drain Sewer System at large.	\$ 1,350,000	\$ (30,000)	\$1,320,000	\$ 35,000
\$250,000, 2003 Series, Michigan Transportation Fund Bonds, Due in 14 annual installments at interest ranging between 3.00% through 4.35% for major street improvements.	250,000	(10,000)	240,000	10,000
\$983,236 2002 Special Assessment for Tobias/Linn Road project payable to Ingham County Drain Commission. Due in 20 annual decreasing installments at interest rate of 5.00%.	835,751	(49,162)	786,589	49,162
Capital Lease Agreement \$195,050. To purchase a Vactor sewer cleaner, payable in 5 years to Vactor Manufacturing, Inc., at an interest rate of 3.83%.	116,920	(37,518)	79,402	38,955
Vested Employee Benefits Payable	<u>49,420</u>	<u>3,652</u>	<u>53,072</u>	
Total Governmental Activities	<u>\$ 2,602,091</u>	<u>\$(123,028)</u>	<u>\$2,479,063</u>	<u>\$ 133,117</u>

The addition of \$49,321 for the Tobias/Linn Road project consists of an adjustment to correct the principal balance as the result of a revised amortization schedule.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

<u>Business-Type Activities</u>	<u>Balance 07/01/05</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/06</u>	<u>Due Within One Year</u>
\$850,000, 1996 Series, Revenue Bonds (Water and Sewer Improvements), due in annual installments at interest rates between 4% through 5.7%.	\$ 585,000	\$ (40,000)	\$ 545,000	\$ 45,000
\$585,000, 1996 Series, Special Assessment Limited Tax Bonds, due in annual installments at interest rates between 5% through 8% (Net of Amortization of \$14,039).	264,401	(38,440)	225,961	40,000
\$3,700,000, 2001 Series, General Obligation Unlimited Tax Refunding Bonds. Issued 2001 General Obligation Refunding Bonds leaving a balance of \$3,700,000 in 2001. Due in 18 annual installments at interest rates between 3% through 4.7% (Net of Amortization of \$155,216).	3,386,849	(17,065)	3,369,784	35,000
\$550,000, 2004 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 20 years at interest rates between 3.20% and 5.00%.	550,000	(5,000)	545,000	10,000
\$900,000, 2005 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 25 years at interest rates between 3.00% and 5.00%.	900,000	(20,000)	880,000	20,000
Vested Employee Benefits Payable	<u>2,458</u>		<u>2,458</u>	
Total Business-Type Activities	<u>\$ 5,688,708</u>	<u>\$ (120,505)</u>	<u>\$ 5,568,203</u>	<u>\$ 150,000</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

<u>Component Unit Activities</u>	<u>Balance 07/01/05</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/06</u>	<u>Due Within One Year</u>
<u>Downtown Development Authority (DDA)</u>				
\$1,945,000, 1999 Series, Limited Tax General Obligation Downtown Development Refunding Bonds. Due in 25 annual installments at interest rates ranging between 3.4% through 4.95%.	\$ 1,845,000	\$ (65,000)	\$ 1,780,000	\$ 65,000
\$425,000, 1994 Series, Limited Tax General Obligation Downtown Development Bonds. Issued 2004 DDA Refunding Bonds leaving a balance due of \$405,000 in 2004. Due in 20 annual installments at interest rates between 2.0% through 5.0%.	<u>395,000</u>	<u>(15,000)</u>	<u>380,000</u>	<u>15,000</u>
Total Downtown Development Authority	<u>\$ 2,240,000</u>	<u>\$ (80,000)</u>	<u>\$ 2,160,000</u>	<u>\$ 80,000</u>
<u>Economic Development Corporation (EDC)</u>				
Mortgage payable \$490,000. To purchase a parcel of land and certain improvements to house some city offices, payable in monthly installments over a period of 15 years at an interest rate of 5.75%.	<u>\$ 462,510</u>	<u>\$ (38,565)</u>	<u>\$ 423,945</u>	<u>\$ 41,304</u>
Total Economic Development Corporation	<u>\$ 462,510</u>	<u>\$ (38,565)</u>	<u>\$ 423,945</u>	<u>\$ 41,304</u>
Total Component Unit Activities	<u>\$ 2,702,510</u>	<u>\$ (118,565)</u>	<u>\$ 2,583,945</u>	<u>\$ 121,304</u>
Total Reporting Entity Activities	<u>\$10,993,309</u>	<u>\$ (362,098)</u>	<u>\$10,631,211</u>	<u>\$ 254,421</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

The debt service requirements to maturity for the city's debt obligations outstanding at June 30, 2006, are as follows:

Annual Debt Service Requirements--Governmental Activities

General Obligation Limited Tax Bonds, Series 2002

Date of Issue: March 1, 2002

Amount: \$1,395,000

Year	Principal 1-May	Interest		Annual Total
		1-May	1-Nov	
2006			\$ 31,896	\$ 31,896
2007	\$ 35,000	\$ 31,896	31,109	98,005
2008	40,000	31,109	30,209	101,318
2009	45,000	30,209	29,196	104,405
2010	50,000	29,196	28,071	107,267
2011-2015	335,000	126,555	118,817	580,372
2016-2020	545,000	77,139	63,659	685,798
2021-2022	270,000	10,423	3,570	283,993
Total	<u>\$1,320,000</u>	<u>\$336,527</u>	<u>\$336,527</u>	<u>\$1,993,054</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

2003 Act 175 Michigan Transportation Fund Bonds

Date of Issue: February 1, 2003

Amount: \$250,000

<u>Year</u>	<u>Principal 1-Aug</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Aug</u>	<u>1-Feb</u>	
2006	\$ 10,000	\$ 4,516		\$ 14,516
2007	15,000	4,366	\$ 4,141	23,507
2008	15,000	4,141	3,916	23,057
2009	15,000	3,916	3,688	22,604
2010	15,000	3,688	3,436	22,124
2011-2015	95,000	13,821	11,985	120,806
2016-2018	<u>75,000</u>	<u>3,219</u>	<u>1,619</u>	<u>79,838</u>
Total	<u>\$240,000</u>	<u>\$37,667</u>	<u>\$28,785</u>	<u>\$306,452</u>

2002 Tobias/Linn Road Special Assessment

Date of Issue: November 1, 2002

Amount: \$983,236

<u>Year</u>	<u>Principal Nov</u>	<u>Interest Nov</u>	<u>Annual Total</u>
2006	\$ 49,162	\$ 39,329	\$ 88,491
2007	49,162	36,871	86,033
2008	49,162	34,413	83,575
2009	49,162	31,955	81,117
2010	49,162	29,497	78,659
2011-2015	245,810	110,615	356,425
2016-2020	245,810	49,161	294,971
2021	<u>49,159</u>	<u>2,458</u>	<u>51,617</u>
Total	<u>\$ 786,589</u>	<u>\$ 334,299</u>	<u>\$ 1,120,888</u>

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Vactor Capital Lease Payable

Date of Issue: June 25, 2003

Amount: \$195,050

<u>Year</u>	<u>Principal 28-July</u>	<u>Interest 28-July</u>	<u>Annual Total</u>
2006	\$38,955	\$3,041	\$41,996
2007	<u>40,447</u>	<u>1,549</u>	<u>41,996</u>
Total	<u>\$79,402</u>	<u>\$4,590</u>	<u>\$83,992</u>

Annual Principal and Interest Requirements--Business-Type Funds

The enterprise funds' annual requirements to pay the principal and interest on the city's direct long-term debt obligations outstanding at June 30, 2006, are as follows:

Revenue Bonds Water/Sewer Improvements, Series 1996 (Sewer Fund)

Date of Issue: February 26, 1996

Amount: \$850,000

<u>Year</u>	<u>Principal 1-Mar</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Mar</u>	<u>1-Sep</u>	
2006			\$14,936	\$ 14,936
2007	\$ 45,000	\$14,936	13,789	73,725
2008	45,000	13,789	12,619	71,408
2009	45,000	12,619	11,438	69,057
2010	50,000	11,438	10,100	71,538
2011-2015	290,000	35,494	27,389	352,883
2016	<u>70,000</u>	<u>1,995</u>		<u>71,995</u>
Total	<u>\$545,000</u>	<u>\$90,271</u>	<u>\$90,271</u>	<u>\$ 725,542</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

1996 Sewer Special Assessment Bonds (Sewer Fund)

Date of Issue: November 1, 1996

Amount: \$585,000

Unamortized Bond Discount at June 30, 2006: \$14,039

Current Year Amortized Cost: \$1,560

Year	Principal 1-Nov	Interest		Annual Total
		1-May	1-Nov	
2006	\$ 40,000		\$ 6,000	\$ 46,000
2007	40,000	\$ 5,000	5,000	50,000
2008	40,000	4,000	4,000	48,000
2009	40,000	3,000	3,000	46,000
2010	40,000	2,000	2,000	44,000
2011	40,000	1,000	1,000	42,000
Total	<u>\$240,000</u>	<u>\$15,000</u>	<u>\$21,000</u>	<u>\$276,000</u>

General Obligation Unlimited Tax Refunding Bonds, Series 2001

Date of Issue: September 27, 2001

Amount: \$3,700,000

Unamortized Bond Discount at June 30, 2006: \$155,216

Deferred Amount: \$83,204

Current Year Amortized Cost: \$12,935

Year	Principal 1-Nov	Interest		Annual Total
		1-May	1-Nov	
2006	\$ 35,000		\$ 77,899	\$ 112,899
2007	215,000	\$ 77,287	77,287	369,574
2008	180,000	72,987	72,987	325,974
2009	205,000	69,274	69,274	343,548
2010	235,000	64,918	64,918	364,836
2011-2015	1,690,000	233,834	233,834	2,157,668
2016-2017	965,000	34,315	34,315	1,033,630
Total	<u>\$3,525,000</u>	<u>\$552,615</u>	<u>\$630,514</u>	<u>\$4,708,129</u>

Defeased Debt

In 2001, the city defeased the 1991 Series Bonds by placing the proceeds of new bonds (\$3,700,000) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2006, \$3,400,000 of 1991 series bonds outstanding are considered defeased.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

2004 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: December 27, 2004

Amount: \$550,000

Year	Principal 1-Mar	Interest		Annual Total
		1-Mar	1-Sep	
2006			\$ 12,498	\$ 12,498
2007	\$ 10,000	\$ 12,498	12,248	34,745
2008	10,000	12,248	11,998	34,245
2009	10,000	11,998	11,748	33,745
2010	15,000	11,748	11,508	38,255
2011-2015	80,000	54,854	53,355	188,209
2016-2020	105,000	45,845	43,582	194,427
2021-2025	105,000	32,729	30,233	167,962
2026-2030	<u>210,000</u>	<u>26,250</u>	<u>21,000</u>	<u>257,250</u>
Total	<u>\$545,000</u>	<u>\$208,168</u>	<u>\$208,168</u>	<u>\$961,336</u>

2005 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: June 1, 2005

Amount: \$900,000

Fiscal Year	Principal 1-Mar	Interest		Annual Total
		1-Mar	1-Sep	
2007	\$ 20,000	\$ 19,179	\$ 18,869	\$ 58,048
2008	20,000	18,869	18,554	57,423
2009	25,000	18,554	18,148	61,701
2010	25,000	18,148	17,729	60,876
2011	25,000	17,729	17,298	60,026
2012-2016	140,000	82,026	78,908	300,934
2017-2021	180,000	65,784	61,891	307,675
2022-2026	225,000	43,845	38,607	307,452
2027-2030	<u>220,000</u>	<u>14,125</u>	<u>8,625</u>	<u>242,750</u>
Total	<u>\$880,000</u>	<u>\$298,258</u>	<u>\$278,627</u>	<u>\$1,456,885</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)Annual Debt Service Requirements--Component Units

The annual requirements to pay the principal and interest on the component units direct long-term debt obligations outstanding at June 30, 2006, are as follows:

1999 Downtown Development Refunding Bonds

Date of Issue: May 20, 1999

Amount: \$1,945,000

Year	Principal 1-Nov	Interest		Annual Total
		1-May	1-Nov	
2006	\$ 65,000		\$ 41,416	\$ 106,416
2007	70,000	\$ 40,084	40,084	150,168
2008	65,000	38,614	38,614	142,228
2009	70,000	37,216	37,216	144,432
2010	75,000	35,711	35,711	146,422
2011-2015	440,000	151,604	151,604	743,208
2016-2020	575,000	94,705	94,705	764,410
2021-2023	420,000	21,038	21,038	462,076
Total	<u>\$1,780,000</u>	<u>\$418,972</u>	<u>\$460,388</u>	<u>\$2,659,360</u>

2004 Downtown Development Refunding Bonds

Date of Issue: February 18, 2004

Amount: \$405,000

Year	Principal 1-Nov	Interest		Annual Total
		1-May	1-Nov	
2006	\$ 15,000		\$ 7,728	\$ 22,728
2007	15,000	\$ 7,578	7,578	30,156
2008	20,000	7,410	7,410	34,820
2009	20,000	7,135	7,135	34,270
2010	20,000	6,835	6,835	33,670
2011-2015	105,000	28,625	28,625	162,250
2016-2020	100,000	17,805	17,805	135,610
2021-2023	85,000	4,125	4,125	93,250
Total	<u>\$380,000</u>	<u>\$79,513</u>	<u>\$87,241</u>	<u>\$546,754</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

On February 8, 2004, the city issued \$405,000 in Downtown Development Refunding Bonds, Series 2004, with an average interest rate of 3.755 percent to refund \$365,000 of outstanding 1994 Downtown Development Bonds, Series 1994, with an average interest rate of 6.772 percent. The net proceeds of \$384,429 (after the payment of \$20,751 in underwriting fees and related bond issuance costs), were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 bonds are considered to be defeased and the liability for those bonds has been removed from the component unit column of the Statement of Net Assets. The city refunded the 1994 Series bonds to reduce its total debt service payments over the next 20 years by \$77,914 and resulted in an economic gain of \$51,649.

Economic Development Corporation (EDC)

Note Payable--Real Estate

Date of Issue: September 29, 2004

Amount: \$490,000

Fiscal Year Ended 30-Jun	Principal Payments	Interest Payments	Annual Total
2007	\$ 41,304	\$ 24,076	\$ 65,380
2008	43,830	21,550	65,380
2009	46,510	18,870	65,380
2010	49,354	16,026	65,380
2011	52,372	13,008	65,380
2012-2015	<u>190,575</u>	<u>5,676</u>	<u>196,251</u>
Total	<u>\$423,945</u>	<u>\$ 99,206</u>	<u>\$523,151</u>

Effective for the fiscal year ended June 30, 2002, the Economic Development Corporation assumed a mortgage from the General Fund. On September 29, 2004, the city refinanced the old mortgage, which had a balance of \$487,791 on June 30, 2004. The new loan balance of \$490,000 is payable in 120 monthly installments beginning on October 29, 2004. The interest rate on this loan is 5.95% for the first five years; thereafter, the fixed rate is the greater of (a) 5.95% or (b) two percentage points over the rate on five year U.S. Treasury obligation existing on the fifth anniversary of the date of the note.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Debt Covenants

The city's five revenue bonds issued include covenants to set aside amounts in bond reserve funds. At June 30, 2006, there was \$6,872, \$3,308, \$57,627, \$42,824 and \$574,799 in separate bank accounts for the bond reserves for the 2004 DDA Refunding Bond, 1994 DDA Water and Sewer Improvement Revenue Bonds, 1996 Water and Sewer Improvement Revenue Bonds, 2004 Water and Sewer Improvement Revenue Bonds, and the 2005 Water and Sewer Improvement Revenue Bonds, respectively. These bonds reserves are reported as "Restricted Cash" in the Statement of Net Assets for the respective funds.

No Commitment Debt

Excluded from the long-term debt are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the city. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the city's financial statements. Information regarding the status of the bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. The amount outstanding at June 30, 2006 is \$400,000.

NOTE J--COMPENSATED ABSENCES

Vested Employee Benefits Payable

The city has an accrued liability for accumulated vested vacation and sick leave benefits payable for its employees. As of June 30, 2006, the accumulated vested vacation and sick leave benefits of the city's employees were as follows:

Vested Employee Benefits Payable--Primary Government

	Sick/Personnel Leave	Vacation Leave	Total
General Government	\$ 5,008	\$ 15,091	\$ 20,099
Community and Economic Development	248	331	579
Public Safety	4,721	8,317	13,038
Public Works Department	<u>7,002</u>	<u>12,354</u>	<u>19,356</u>
Total	<u>\$ 16,979</u>	<u>\$ 36,093</u>	<u>\$ 53,072</u>

These amounts are reported in the Statement of Net Assets as a noncurrent liability in the governmental (General Government) and business-type activities (Sewer Enterprise Fund--Public Works Department).

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE J--COMPENSATED ABSENCES (Continued)

City employees are entitled to certain vacation and sick pay benefits that accrue and vest under the terms of the city's labor agreements and personnel policy.

Vacation leave is earned in varying amounts ranging from 1 to 5 five weeks depending on the number of years of service provided by the employee and is available on the employee's anniversary date. With supervisory approval, employees may carry over a maximum of one week to the subsequent period.

Sick leave is earned by all city employees at the rate of 12 days annually with each day being made available as of the last day of the month. A maximum of 24 days may be accrued. Upon retirement, employees are paid one-half of their accumulated unused sick leave.

NOTE K--EMPLOYEES' RETIREMENT SYSTEM

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

The City of Williamston is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement for General employees is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation (FAC). The service requirement for Non-Union employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% of (FAC), with a maximum benefit of 80% of FAC. The service requirement for Police and Non-Union Classified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% of (FAC), with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, MCL 46.12(a), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Policy

General employees contribute 4.75%, Police contribute 8.00%, Non-Union employees contribute 7.00% and Non-Union Classified employees contribute 9.90% of their annual compensation, respectively. The city's pension contributions of covered payroll for the period ending December 31, 2005 were 7.82% for General employees, 19.51% for Police, 7.08% for Non-Union Employees, and 0.00% for Non-Union Classified employees, respectively.

If a member leaves the employment of the municipality or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 1.5%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary.

Annual Pension Cost

During the calendar year ended December 31, 2005, the city's contributions totaled \$101,858 and the employee contributions totaled \$62,764; these contributions were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003, and personnel agreement. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his/her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended 12/31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 67,385	100%	\$0
2004	85,279	100%	\$0
2005	101,858	100%	\$0

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/2003	\$ 2,016,088	\$ 2,921,768	\$ 905,680	69%	\$ 744,330	122%
12/31/2004	2,103,196	3,027,290	924,094	69%	878,927	105%
12/31/2005	2,195,366	3,261,272	1,065,906	67%	960,057	111%

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

The City of Williamston offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the ICMA Retirement Corporation for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the city's financial statements. The city also has a 401A Qualified Plan, which covers only a former city manager. The custodial account is also held by the ICMA Retirement Corporation.

NOTE M--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

PRIMARY GOVERNMENT

The city and its component units are exposed to various risks of loss related to theft of, damage to, and distribution of assets, error and omissions, and injuries to employees. The city participates in the Michigan Municipal Liability and Property Pool (Pool) for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE M--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (Continued)

Local units in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to member financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

The Michigan Municipal Liability and Property Pool program operates as a common risk-sharing management program for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2006

EXHIBIT K

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Fund Balance--July 1, 2005	\$ 865,945	\$ 877,788	\$ 877,788	-
Resources (Inflows)				
Property Taxes				
Current Property Taxes	1,560,000	1,560,000	1,561,996	\$ 1,996
Mobile Home Specific Taxes	1,200	1,200	-	(1,200)
Penalties and Interest on Taxes	15,000	15,000	14,180	(820)
Property Tax Administration Fees	56,000	56,000	63,475	7,475
Total Property Taxes	1,632,200	1,632,200	1,639,651	7,451
Licenses and Permits				
Liquor Licenses	2,000	2,000	2,153	153
Cable Franchise Fee	14,500	14,500	16,595	2,095
Other Licenses and Permits	1,000	1,000	1,160	160
Total Licenses and Permits	17,500	17,500	19,908	2,408
State Grants				
Act 302 Officer Training	750	750	1,640	890
State Shared Revenue	325,800	325,800	321,505	(4,295)
Total State Grants	326,550	326,550	323,145	(3,405)
Charges for Services				
General Sales	2,500	2,500	1,886	(614)
Garbage Bag Sales	-	-	6,545	6,545
OUIL Alcohol Cost Recovery	-	-	832	832
Police Reports and Service Fees	7,000	7,000	6,632	(368)
Miscellaneous	500	500	25	(475)
Total Charges for Services	10,000	10,000	15,920	5,920
Fines and Forfeitures				
Traffic Fines	3,200	3,200	5,224	2,024
Parking Fines and Civil Infractions	1,500	1,500	4,227	2,727
Drug Forfeitures	-	-	-	-
Total Fines and Forfeitures	4,700	4,700	9,451	4,751
Interest and Rentals				
Interest Earned	2,500	28,000	28,198	198
Equipment Rental	69,000	69,000	73,474	4,474
Total Interest and Rentals	71,500	97,000	101,672	4,672
Other Revenue				
Sidewalk Special Assessments	-	-	1,034	1,034
Sale of Capital Assets	-	-	58,042	58,042
Donations	2,000	2,000	14,644	12,644
Gain on Sale of Capital Assets	-	-	9,458	9,458
Administrative Reimbursements	208,400	208,400	203,900	(4,500)
Refunds and Reimbursements	9,250	9,250	24,414	15,164
Total Other Revenue	219,650	219,650	311,492	91,842
Amounts Available for Appropriation	3,148,045	3,185,388	3,299,027	113,639

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2006

EXHIBIT K
(CONTINUED)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Charges to Appropriations (Outflows)				
General Government				
City Council	26,300	21,300	20,124	1,176
City Manager	180,400	177,400	176,088	1,312
Clerk	78,300	78,300	74,981	3,319
Treasurer	183,750	173,750	170,618	3,132
Assessor	37,210	45,710	44,373	1,337
Elections	11,900	20,400	19,005	1,395
Buildings and Grounds	226,630	241,630	239,474	2,156
Attorney	60,000	67,500	62,959	4,541
Cemetery Board	12,000	12,000	12,000	-
Wheatfield Township 425 Revenue Sharing	12,500	12,500	14,733	(2,233)
Public Safety				
Police	552,150	530,650	503,502	27,148
Ingham County Hazmat Team	500	500	500	-
Public Works				
Department of Public Works	56,750	56,750	21,589	35,161
Equipment Maintenance	69,000	69,000	58,491	10,509
Sidewalks	28,000	8,000	2,754	5,246
Street Lighting	55,000	57,500	51,555	5,945
City Tree Service	16,400	16,400	7,852	8,548
Leaf and Grass Collection	61,500	51,500	37,473	14,027
Tobias Drain Assessment	93,000	93,000	91,446	1,554
Pedestrian Bridge	-	-	-	-
Community and Economic Development				
Planning Commission	68,600	99,600	90,408	9,192
Community and Economic Development Administration	98,300	98,300	91,533	6,767
Recreation and Cultural				
Parks and Recreation	58,000	53,000	48,510	4,490
Library	11,000	16,000	12,217	3,783
Williamston Library Foundation	-	8,500	8,617	(117)
Red Cedar Recreation Association	6,000	6,000	4,190	1,810
Capital Outlay				
New Equipment	135,000	195,000	190,882	4,118
Debt Service				
Principal	37,520	37,520	37,518	2
Interest and Fiscal Fees	4,480	4,480	4,478	2
Interfund Transfers (Out)--Primary Government	234,500	263,000	263,298	(298)
Total Charges to Appropriations	2,414,690	2,515,190	2,361,168	154,022
Fund Balance--June 30, 2006	\$ 733,355	\$ 670,198	\$ 937,859	\$ 267,661

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET--MAJOR SPECIAL REVENUE FUND
Year Ended June 30, 2006

EXHIBIT L

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
Federal Grants--Critical Bridge	-	\$ 542,351	\$ 542,351	-
State Grants				
Critical Bridge	\$ 163,000	163,000	156,054	\$ (6,946)
Metro Act	-	-	92,916	92,916
	-	-	19,673	19,673
Interest and Rentals	500	500	5,753	5,253
Other Revenue	-	-	2,793	2,793
Total Revenues	163,500	705,851	819,540	113,689
Expenditures				
Pu Construction/Capacity Improvements				
Preservation/Structual Improvements	200,000	200,000	192,279	7,721
Surface Maintenance	-	921,201	871,492	49,709
Sweeping/Flushing	15,100	19,995	13,700	6,295
Bridge Maintenance	13,000	17,500	11,781	5,719
Traffic Control	316,400	90	90	-
Winter Maintenance	5,700	6,055	2,339	3,716
Administration	33,800	30,410	26,104	4,306
	17,640	14,140	6,725	7,415
Total Expenditures	601,640	1,209,391	1,124,510	84,881
Excess of Revenues Over (Under) Expenditures	(438,140)	(503,540)	(304,970)	198,570
Other Financing Sources (Uses)				
Interfund Transfers In	200,000	200,000	200,000	-
Interfund Transfers (Out)	(5,400)			-
Total Other Financing Sources (Uses)	194,600	200,000	200,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(243,540)	(303,540)	(104,970)	198,570
Fund Balance--July 1, 2005	245,922	519,882	519,882	-
Fund Balance--June 30, 2006	\$ 2,382	\$ 216,342	\$ 414,912	\$ 198,570

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET--MAJOR SPECIAL REVENUE FUND
Year Ended June 30, 2006

EXHIBIT M

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
State Grants--MTF Distributions	\$ 52,750	\$ 47,750	\$ 50,936	\$ 3,186
Interest and Rentals	500	500	1,436	936
Other Revenue	100	100	305	205
Total Revenues	53,350	48,350	52,677	4,327
Expenditures				
Public Works				
Surface Maintenance	74,800	81,504	28,694	52,810
Sweeping/Flushing	7,500	11,980	10,422	1,558
Bridge Maintenance	4,000	4,030	70	3,960
Traffic Control	4,350	4,606	1,492	3,114
Winter Maintenance	24,900	19,600	16,610	2,990
Administration	17,640	11,470	7,303	4,167
Total Expenditures	133,190	133,190	64,591	68,599
Excess of Revenues Over (Under) Expenditures	(79,840)	(84,840)	(11,914)	72,926
Other Financing Sources (Uses)				
Interfund Transfers In	25,000	25,000	25,000	-
Interfund Transfers (Out)	(50,650)	(45,650)	(45,650)	-
Total Other Financing Sources (Uses)	(25,650)	(20,650)	(20,650)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(105,490)	(105,490)	(32,564)	72,926
Fund Balance--July 1, 2005	117,333	118,084	118,084	-
Fund Balance--June 30, 2006	\$ 11,843	\$ 12,594	\$ 85,520	\$ 72,926

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2006

EXHIBIT N

	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUNDS</u>		
	Building and Zoning	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
<u>ASSETS</u>				
Accounts Receivable	\$ 25			\$ 25
Due From Other Funds (Primary Government)	5,399		\$ 10,427	15,826
Total Assets	<u>\$ 5,424</u>	<u>\$ -</u>	<u>\$ 10,427</u>	<u>\$ 15,851</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts Payable	\$ 1,921			\$ 1,921
Due to Other Funds (Primary Government)				-
Accrued Liabilities	476			476
Total Liabilities	<u>2,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,397</u>
Fund Balances				
Reserved for				
Debt Service		-	10,427	10,427
Building and Zoning	3,027			3,027
Total Fund Balances	<u>3,027</u>	<u>-</u>	<u>10,427</u>	<u>13,454</u>
Total Liabilities and Fund Balances	<u>\$ 5,424</u>	<u>\$ -</u>	<u>\$ 10,427</u>	<u>\$ 15,851</u>

CITY OF WILLIAMSTON
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

EXHIBIT O

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		
	Building and Zoning	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
Revenues				
Licenses and Permits	\$ 31,319			\$ 31,319
Charges for Services	6,515			6,515
Total Revenues	37,834	\$ -	\$ -	37,834
Expenditures				
Current				
Public Safety	71,442			71,442
Principal		10,000	30,000	40,000
Interest and Fees		9,483	65,143	74,626
Total Expenditures	71,442	19,483	95,143	186,068
Excess of Revenue Over (Under)				
Expenditures	(33,608)	(19,483)	(95,143)	(148,234)
Other Financing Sources (Uses)				
Interfund Transfers In (Primary Government)	28,500	18,448	27,500	74,448
Interfund Transfers In (Component Unit)			60,000	60,000
Total Other Financing Sources (Uses)	28,500	18,448	87,500	134,448
Excess of Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(5,108)	(1,035)	(7,643)	(13,786)
Fund Balance--July 1, 2005	8,135	1,035	18,070	27,240
Fund Balance--June 30, 2006	\$ 3,027	\$ -	\$ 10,427	\$ 13,454

**CITY OF WILLIAMSTON
ECONOMIC DEVELOPMENT CORPORATION
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
June 30, 2006**

EXHIBIT P

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 14,609		\$ 14,609
Accounts Receivable (Net)	90,625		90,625
Capital Assets (Net of Accumulated Depreciation)		\$ 855,226	855,226
Total Assets	<u>\$ 105,234</u>	<u>\$ 855,226</u>	<u>\$ 960,460</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 642		\$ 642
Due to Other Funds--Primary Government	63,401		63,401
Other Accrued Liabilities	162		162
Non-Current Liabilities			
Notes Payable			
Due Within One Year		\$ 41,304	41,304
Due in More Than One Year		382,641	382,641
Total Liabilities	<u>64,205</u>	<u>423,945</u>	<u>488,150</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>41,029</u>	<u>(41,029)</u>	<u>-</u>
Total Fund Equities	<u>41,029</u>	<u>(41,029)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 105,234</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		431,281	431,281
Restricted for Economic Development Programs		41,029	41,029
Total Net Assets		<u>\$ 472,310</u>	<u>\$ 472,310</u>

CITY OF WILLIAMSTON
ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

EXHIBIT Q

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Activities
Revenue			
Charges for Services	\$ 1,836		\$ 1,836
Interest and Rents	66,786		66,786
Other Revenues	118,533	(115,034)	3,499
Total Revenue	187,155	\$ (115,034)	72,121
Expenditures			
Community and Economic Development	33,743	35,079	68,822
Capital Outlay	19,219	(19,219)	-
Debt Service			
Principal	38,565	(38,565)	-
Interest	26,815	-	26,815
Total Expenditures	118,342	(22,705)	95,637
Excess of Revenue Over (Under) Expenditures	68,813	(92,329)	(23,516)
Other Financing Sources			
Transfers (Out)--Primary Government	(60,000)		(60,000)
Total Other Financing Sources	(60,000)	-	(60,000)
Excess of Revenues and Other Financing Sources Over Expenditures	8,813		
Change in Net Assets		(92,329)	(83,516)
Fund Balance/Net Assets--Beginning of Year	32,216	523,610	555,826
Fund Balance/Net Assets--End of Year	\$ 41,029	\$ 431,281	\$ 472,310

CITY OF WILLIAMSTON
TAX INCREMENT FINANCE AUTHORITY 2A
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
June 30, 2006

EXHIBIT R

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 140,225		\$ 140,225
Accrued Interest Receivable	3,330		3,330
Capital Assets (Net of Accumulated Depreciation)		\$ 115,024	115,024
Total Assets	<u>\$ 143,555</u>	<u>\$ 115,024</u>	<u>\$ 258,579</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 125		\$ 125
Due to Other Funds--Primary Government	574		574
Total Liabilities	<u>699</u>	<u>\$ -</u>	<u>699</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>142,856</u>	<u>(142,856)</u>	<u>-</u>
Total Fund Equities	<u>142,856</u>	<u>(142,856)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 143,555</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		115,024	115,024
Restricted for Tax Increment Finance Plans		142,856	142,856
Total Net Assets		<u>\$ 257,880</u>	<u>\$ 257,880</u>

CITY OF WILLIAMSTON
TAX INCREMENT FINANCE AUTHORITY 2A
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

EXHIBIT S

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Activities
Revenue			
Property Taxes	\$ 1,106		\$ 1,106
Interest and Rents	5,751		5,751
Total Revenue	6,857	\$ -	6,857
Expenditures			
Community and Economic Development	19,672	1,863	21,535
Capital Outlay		-	-
Total Expenditures	19,672	1,863	21,535
Excess of Revenue Over (Under) Expenditures	(12,815)	(1,863)	(14,678)
Other Financing Sources			
Transfers (Out)--Primary Government	(12,940)		(12,940)
Total Other Financing Sources	(12,940)	-	(12,940)
Excess of Revenues and Other Financing Sources Over Expenditures	(25,755)		
Change in Net Assets		(1,863)	(27,618)
Fund Balance/Net Assets--Beginning of Year	168,611	116,887	285,498
Fund Balance/Net Assets--End of Year	\$ 142,856	\$ 115,024	\$ 257,880

CITY OF WILLIAMSTON
TAX INCREMENT FINANCE AUTHORITY 2B
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
June 30, 2006

EXHIBIT T

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 146,443		\$ 146,443
Investments	277,609		277,609
Accrued Interest Receivable	2,522		2,522
Capital Assets (Net of Accumulated Depreciation)		\$ 214,979	214,979
Total Assets	<u>\$ 426,574</u>	<u>\$ 214,979</u>	<u>\$ 641,553</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 173		\$ 173
Due to Other Funds--Primary Government	4,382		4,382
Total Liabilities	<u>4,555</u>	<u>\$ -</u>	<u>4,555</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>422,019</u>	<u>(422,019)</u>	<u>-</u>
Total Fund Equities	<u>422,019</u>	<u>(422,019)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 426,574</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		214,979	214,979
Restricted for Tax Increment Finance Plans		<u>422,019</u>	<u>422,019</u>
Total Net Assets		<u>\$ 636,998</u>	<u>\$ 636,998</u>

CITY OF WILLIAMSTON
TAX INCREMENT FINANCE AUTHORITY 2B
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

EXHIBIT U

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Activities
Revenue			
Property Taxes	\$ 11,881		\$ 11,881
Interest and Rents	15,407		15,407
Total Revenue	27,288	\$ -	27,288
Expenditures			
Community and Economic Development	41,954	5,957	47,911
Total Expenditures	41,954	5,957	47,911
Excess of Revenue Over (Under) Expenditures	(14,666)	(5,957)	(20,623)
Change in Net Assets		(5,957)	(20,623)
Fund Balance/Net Assets--Beginning of Year	436,685	220,936	657,621
Fund Balance/Net Assets--End of Year	\$ 422,019	\$ 214,979	\$ 636,998

CITY OF WILLIAMSTON
DOWNTOWN DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
June 30, 2006

EXHIBIT V

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 71,892		\$ 71,892
Restricted Cash	6,872		6,872
Capital Assets (Net of Accumulated Depreciation)		\$ 1,098,286	1,098,286
Total Assets	<u>\$ 78,764</u>	<u>\$ 1,098,286</u>	<u>\$ 1,177,050</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 58		\$ 58
Due to Other Funds--Primary Government	19,970		19,970
Accrued Liabilities	163		163
Non-Current Liabilities			
Bonds Payable			
Due Within One Year		\$ 80,000	80,000
Due in More Than One Year		2,080,000	2,080,000
Total Liabilities	<u>20,191</u>	<u>2,160,000</u>	<u>2,180,191</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>58,573</u>	<u>(58,573)</u>	<u>-</u>
Total Fund Equities	<u>58,573</u>	<u>(58,573)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 78,764</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		703,286	703,286
Restricted for Downtown Development Activities		(1,786,427)	(1,706,427)
Total Net Assets		<u>\$ (1,083,141)</u>	<u>\$ (1,003,141)</u>

CITY OF WILLIAMSTON**EXHIBIT W****DOWNTOWN DEVELOPMENT AUTHORITY****STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES****AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES****For the Year Ended June 30, 2006**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Activities
Revenue			
Property Taxes	\$ 391,062		\$ 391,062
Federal Aid	5,734		5,734
State Aid	1,911		1,911
Interest and Rents	577		577
Other Revenues	6,200		6,200
Total Revenue	405,484	\$ -	405,484
Expenditures			
Community and Economic Development	185,255	18,974	204,229
Capital Outlay	70,809	(70,809)	-
Debt Service			
Principal	80,000	(80,000)	-
Interest	100,106	-	100,106
Total Expenditures	436,170	(131,835)	304,335
Excess of Revenue Over (Under) Expenditures	(30,686)	131,835	101,149
Change in Net Assets		131,835	101,149
Fund Balance/Net Assets--Beginning of Year	89,259	(1,193,549)	(1,104,290)
Fund Balance/Net Assets--End of Year	\$ 58,573	\$ (1,061,714)	\$ (1,003,141)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

August 21, 2006

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

RE: Report on Internal Control over Financial Reporting and Compliance and
Other Matters Based on an Audit of the Financial Statements Performed in
Accordance with Government Auditing Standards

Dear Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City of Williamston's basic financial statements and have issued our report thereon dated August 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the City of Williamston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and to be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and operation that we consider to be material weaknesses.

Compliance and Other Matters--As part of obtaining reasonable assurance about whether the City of Williamston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management, the city council, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division